

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS
LAKE COUNTY DISTRICT SCHOOL BOARD
TAVARES, FLORIDA

JUNE 30, 2011

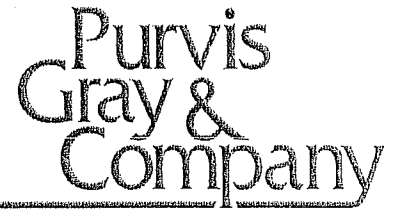
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LAKE COUNTY DISTRICT SCHOOL BOARD
TAVARES, FLORIDA

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Lake County District School Board and
Superintendent
Tavares, Florida

We have audited the accompanying financial statements of the Student Activity Fund - Internal Accounts of Lake County District School Board (the District), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Student Activity Fund - Internal Accounts and are not intended to present fairly the financial position of the District, as of June 30, 2011 and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Student Activity Fund - Internal Accounts of the District, as of June 30, 2011, and changes in its assets and liabilities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2011, on our consideration of the District's Student Activity Fund - Internal Accounts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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Lake County District School Board and
Superintendent
Tavares, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Management's discussion and analysis covering the financial statements of the Student Activity Fund - Internal Accounts, is included within the management's discussion and analysis of the district-wide comprehensive annual financial report, which is available at the District's administrative offices.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively form the District's Student Activity Fund - Internal Accounts basic financial statements. The schedule of changes in assets and liabilities by school is presented for additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Purvis, Gray and Company, LLP

December 2, 2011
Ocala, Florida

BALANCE SHEET
AGENCY FUND
STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS
JUNE 30, 2011
LAKE COUNTY DISTRICT SCHOOL BOARD - TAVARES, FLORIDA

	<u>Total 2011</u>
Assets	
Cash	\$ 2,306,651
Total Assets	<u>2,306,651</u>
 Liabilities	
Due to Students and Student Organizations	<u>\$ 2,306,651</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS
LAKE COUNTY DISTRICT SCHOOL BOARD - TAVARES, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Student Activity Fund - Internal Accounts of Lake County District School Board (the District) have been prepared to conform to generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1001.51(11)(f), the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies:

Reporting Entity

The District and its Governing Board are organized and operated under Section 4, Article IX, of the constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Lake County. Management of the District is independent of county and city governments. The membership of the governing board of the District (the Board) consists of five members elected by county-wide vote for overlapping four-year terms. The Superintendent is elected and acts as chief executive officer of the District.

For financial reporting purposes, the accompanying financial statements include only the activity accounted for in the Student Activity Fund - Internal Accounts of the District and do not purport to present financial position and results of operations for the District as a whole. The District does, however, prepare an entity-wide comprehensive annual financial report which also includes the Student Activity Fund - Internal Accounts, which can be obtained from the District's administrative offices.

The Student Activity Fund - Internal Accounts is a single fiduciary fund of the District as follows:

■ **Fiduciary Fund Type**

- **Agency Fund** - to account for resources of the Student Activity Fund - Internal Accounts which are used to administer monies collected at the District's schools in connection with school, student athletic, class, and club activities and financial aid fee collections and expenditures. The fund is made up of all of the internal account activity of the District's forty elementary, middle, and high schools, and are unbudgeted public funds under the control and supervision of the District, with individual school principals having day-to-day responsibility over their respective schools.

The collection and disbursement of internal accounts is performed in accordance with Florida Statutes, school board rules, and the financial and program cost accounting and reporting for Florida Schools Manual, published by the Florida Department of Education.

The District accounts for student activity funds in an agency fund because the fund is custodial in nature and does not measure the results of operations.

Measurement Focus and Basis of Accounting

School internal funds reported as an agency fund account for additions and deletions when cash is received and disbursed. These funds have no significant receivables, payables or fund equity.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - BY SCHOOL
AGENCY FUND
STUDENT ACTIVITY FUNDS - INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011
LAKE COUNTY DISTRICT SCHOOL BOARD - TAVARES, FLORIDA**

	Beginning Balance	Additions	(Deletions)	Ending Balance
	June 30, 2010			June 30, 2011
Astatula Elementary	\$ 26,931	\$ 51,791	\$ (56,436)	\$ 22,286
Beverly Shores Elementary	7,169	22,712	(24,594)	5,287
Carver Middle	53,330	166,401	(174,784)	44,947
Clermont Elementary	16,473	70,237	(71,731)	14,979
Clermont Middle	76,998	121,214	(120,219)	77,993
Cypress Ridge Elementary	41,810	125,938	(115,031)	52,717
East Ridge High	293,358	551,374	(563,630)	281,102
East Ridge Middle	55,265	149,955	(141,319)	63,901
Eustis Elementary	11,879	33,767	(40,448)	5,198
Eustis Heights Elementary	16,405	27,057	(28,586)	14,876
Eustis High	123,883	371,975	(352,952)	142,906
Eustis Middle	31,442	67,193	(66,740)	31,895
Fruitland Park Elementary	20,709	40,283	(43,627)	17,365
Grassy Lake Elementary	25,965	135,244	(138,648)	22,561
Gray Middle	93,613	134,680	(124,004)	104,289
Griffin Center/Student Services	10,354	23,885	(17,443)	16,796
Groveland Elementary	50,874	65,989	(69,198)	47,665
Lake Hills Center	23,785	15,899	(19,833)	19,851
Leesburg Elementary	19,259	74,271	(74,190)	19,340
Leesburg High	167,183	417,245	(465,078)	119,350
Lost Lake Elementary	34,284	98,943	(107,549)	25,678
Mount Dora High	216,622	474,190	(450,002)	240,810
Mount Dora Middle	32,469	99,212	(84,417)	47,264
Oak Park Middle	36,371	59,523	(58,302)	37,592
Pine Ridge Elementary	33,296	98,410	(92,390)	39,316
Rimes Elementary	16,207	18,529	(17,870)	16,866
Sawgrass Bay Elementary	6,285	105,699	(100,442)	11,542
Seminole Springs Elementary	29,365	58,372	(67,966)	19,771
Sorrento Elementary	0	61,531	(60,269)	1,262
South Lake High	173,673	468,955	(471,987)	170,641
Tavares Elementary	10,642	50,595	(52,354)	8,883
Tavares High	100,718	317,827	(312,258)	106,287
Tavares Middle	75,250	138,101	(128,863)	84,488
Treadway Elementary	15,362	73,572	(60,688)	28,246
Triangle Elementary	20,494	19,980	(27,110)	13,364
Umatilla Elementary	4,358	35,999	(36,471)	3,886
Umatilla High	125,001	259,150	(260,139)	124,012
Umatilla Middle	67,575	101,555	(92,299)	76,831
Villages of Lady Lake Elementary	28,885	42,356	(40,514)	30,727
Windy Hill Middle	96,256	174,686	(177,061)	93,881
Transfer of Funds from Investments to Cash	0	0	0	0
Total	\$ 2,289,798	\$ 5,424,295	\$ (5,407,442)	\$ 2,306,651

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Lake County District School Board and
Superintendent
Tavares, Florida

We have audited the financial statements of the Student Activity Fund - Internal Accounts of Lake County District School Board (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's Student Activities Fund - Internal Accounts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Student Activities Fund - Internal Accounts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Student Activities Fund - Internal Accounts' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a control deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Lake County District School Board and
Superintendent
Tavares, Florida

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Internal Control Over Financial Reporting (Concluded)

■ **Segregation of Duties**

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit of the internal accounts, we identified instances where the bookkeeper is the sole individual responsible for receiving cash, depositing cash, and recording transactions into the general ledger. This condition is common across internal accounts in school districts across the state of Florida and is not unique to the District. The District has recognized this weakness and has established and implemented detect controls to mitigate this risk including monthly review and approval of the principal's report and the bank reconciliation by each principal, a monthly account review and sign-off by each school sponsor or instructor for their account, and annual reviews performed by the Finance department. We recommend that the District continue its existing efforts to mitigate the segregation of duties issues and continue to emphasize the importance of detect controls over cash receipting and bank deposits. We have no further recommendations for compensating controls; however, we think it is important that we make you aware of this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Student Activities Fund - Internal Accounts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the District's management in a separate letter dated December 2, 2011.

This report is intended solely for the information and use of the District, Superintendent, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 2, 2011
Ocala, Florida

MANAGEMENT LETTER

Lake County District School Board and
Superintendent
Tavares, Florida

We have audited the financial statements of the Student Activity Fund - Internal Accounts of Lake County District School Board (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our auditors' report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated December 2, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, *Rules of the Auditor General*, which governs the conduct of the district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

■ Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been made to address findings and recommendations made in the preceding financial audit report. See the significant deficiency in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Governmental Auditing Standards* related to the segregation of duties. In addition, the following finding and recommendation was noted in the prior year audit related to the Student Activity Fund - Internal Accounts.

● **Booster Organizations**

In our prior year report we noted that the District did not appear to have formal policies governing administrative monitoring of the various booster organizations that support the activities of individual schools. We noted that the informal policy is that individual Principal's monitor booster activities, which implies that the Boosters activities are essentially sanctioned by the District. Because of the significant amounts of money that Booster organizations can collect from high school athletic concessions and other activities along with the volunteer nature of the organizations (which typically equates to weak internal control), as well as the many Internal Revenue Service (IRS) requirements that may apply to these organizations, we recommended that the District develop a district-wide administrative policy governing booster clubs. Such a policy might include; allowable use of the District's Federal Employers Identification number on Booster bank accounts, minimum organization structures, periodic financial reporting, evidence of IRS compliance, proof of insurance, and other desirable items. The District is in the process of developing a new draft policy addressing these items that is still in the working phase. We recommend that the District continue its efforts to finalize and implement the new policy in the near future.

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Superintendent
Tavares, Florida

MANAGEMENT LETTER
(Continued)

- Section 10.804(1)(f)3., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District's Student Activity Fund - Internal Accounts complied with Section 218.415, Florida Statutes.
- Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Recommendations regarding internal controls were made in this letter.
- Section 10.804(1)(f)5., *Rules of the Auditor General*, requires that we address violations of provision of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connections with our audit, we did not have any such findings.
- Section 10.804(1)(f)6., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations or provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we had the following finding:
 - **Internal Accounts**

The District's Finance Department performed a review covering the Internal Accounts of the District for the 2011 fiscal year-end. That review has identified numerous comments and recommendations dealing with control deficiencies found throughout the internal accounts at the various schools of the District. We have participated with the District in all aspects of that review and concur with the recommendations made. We urge the District to continue its efforts to improve internal controls of the internal accounts by carefully addressing these comments.
- Section 804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District's Student Activity Fund - Internal Accounts has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the District's Student Activity Fund - Internal Accounts has did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's Student Activity Fund - Internal Accounts has financial condition, and our financial condition was based in part on representation made by management and review of the financial information provided by same.
- Section 10.804(1)(f)8., *Rules of the Auditor General*, requires the auditor to state whether or not the District School Board complied with transparency requirements. Section 2, Specific Appropriation 115A of Chapter 2010-52, Laws of Florida, provides that the District School Boards include a link on their websites to the Transparency Florida website.

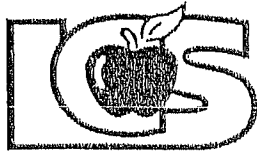
Lake County District School Board and
Superintendent
Tavares, Florida

MANAGEMENT LETTER
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is public distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 2, 2011
Ocala, Florida



**LAKE
COUNTY
SCHOOLS**

Superintendent:
Susan Moxley, Ed.D

School Board Members:

District 1

Jim Miller

District 2

Rosanne Brandenburg

District 3

Tod Howard

District 4

Debbie Stivender

District 5

Kyleen Fischer

Leading our Children to Success

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December 2, 2011

Mark White, CPA, Partner
Tim Westlake, CPA, Partner
Purvis Gray & Company, CPA's
2347 S.E. 17th Street
Ocala, FL 34471

Gentlemen;

First, let me thank you and your staff for the professional manner in which the Student Activity Fund – Internal Accounts audit was conducted. It was completed in a timely manner and with very little disruption to our daily operations. As a former auditor, I understand and value the audit process and consider the findings as opportunities to improve. In response to the Independent Auditor's Management Letter Comments related to the audit of our Student Activity Fund – Internal Accounts for the fiscal year ended June 30, 2011, we offer the following:

Segregation of Duties

We agree with the importance of segregation of duties and continue to emphasize the importance of detective controls over cash receipting and bank deposits.

Booster Organizations

We have established a committee to develop policies and procedures for Booster Organizations. We anticipate having a policy to the school board for approval prior to the end of the current fiscal year. The proposed policy will address the areas identified under audit.

Internal Accounts

We are in the process of changing the computer system used at the schools for the internal accounts. We believe that some of the advantages to the new system include increased internal controls. We agree with the importance of sound internal controls in all areas and strive to improve those controls.

We appreciate your assistance and review of our systems and look forward to working together to continually improve our school district.

Respectfully submitted,

Carol J. MacLeod, CPA
Chief Financial Officer

cc: Dr. Susan Moxley, Superintendent of Schools